

Briefing Residential sales

February 2015



Image: Scenic Villas, Pokfulam

SUMMARY

The outlook for luxury home prices remains uncertain as Buyer's Stamp Duty, Double Stamp Duty and Special Stamp Duty continue to cool transaction volumes.

- Luxury apartment prices rebounded another 1.3% in Q4/ 2014 and recorded a price rise of around 1.7% for the whole year of 2014.
- The market price for townhouses was largely stable in Q4/2014, with only a few transactions in the Southside and The Peak. Townhouse prices fell by around 1.8% in 2014.
- There are rising vacancy rates in the super luxury segment (floor area of 5,000 sq ft or above and consideration of HK\$500 million or above), and unsold stock is accumulating.
- Primary sales in Kowloon Tong and Homantin continue to put pressure on prices in the secondary market in the area. Kowloon Station recorded a 5.4% decline in Q4/2014 on the back of weakening demand from PRC buyers.
- Primary sales values in 2014 reached a record high, and primary volumes in 2014 were the highest they have been for five years.
- Limited supply (only 13,142 residential units up to November 2014) in the mass market supported price growth of 4.0%.

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 "A possible rise in interest rates in the near-term has played a key role in preventing prices from rising further. We estimate that luxury apartment prices in 2015 will remain largely stable."
 Simon Smith, Savills Research

→ Hong Kong Island residential sales market

In the last quarter of 2014, the luxury residential market rebounded another 1.3% and prices rose by 1.7% for the whole year of 2014. Transactions were mainly by end-users, entering the market in both Hong Kong Island and Kowloon.

Luxury transaction volumes remained very low. Savills recorded 383 transactions, a significant decline compared with 913 deals in 2012 and 1,493 deals back in 2009. The 2014 figure is even lower than during the SARS period in 2003.

Prices in different sub markets rebounded by between 1% and 4%, with the exception of The Peak, where recorded prices declined by 2.2%. Luxury residential prices in Pokfulam rose by 3.9% in 2014, largely due to the opening of the West Island Line of the MTR. Transactions in Mid-Levels

included a unit in Estoril Court, sold to a local buyer for HK\$110 million (2,945 sq ft saleable; HK\$37,351 per sq ft saleable).

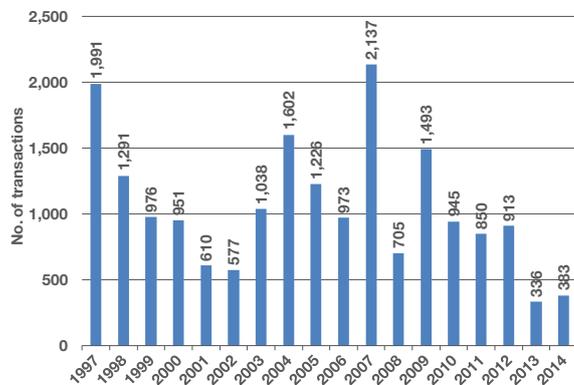
The townhouse market remains weak due to lack of demand across local and investment buyers on the back of double stamp duty and buyer stamp duty, with prices falling by 4.5% and 0.3% in The Peak and Southside areas respectively. Notable transactions in this quarter included House 7 of Twelve Peaks on The Peak which sold for HK\$491.7 million. The property has a saleable area of 4,327 sq ft, with a 2,313 sq ft garden.

In Southside, a house at Shouson Peak has been sold for HK\$150 million (2,744 sq ft saleable; HK\$41,600 per sq ft saleable), while a house at 56 Repulse Bay Road sold for HK\$140 million (3,366 sq ft saleable; HK\$41,600 per sq ft saleable).

If we look at the super luxury segment (with a floor area of 5,000 sq ft or above and a consideration of HK\$500 million or above), the picture is somewhat different. Twenty eight units (eight apartments and 20 houses) of a new super luxury development were completed and remain available in the market for sale, all located on the Peak and Mid-Levels. In the coming three years, a further 185 super luxury units (101 apartments and 84 houses) will be completed and potentially launched to the market, meaning this niche segment may face oversupply in the short-term, putting pressure on super luxury and townhouse prices in the near-term.

Notable transactions in this quarter include the sale of a residential site at 75 Peak Road for HK5.1 billion. The property has a site area of 124,000 sq ft and a maximum permissible area of 62,000 sq ft, representing

GRAPH 1 **Luxury residential transaction volumes, 1997–2014**



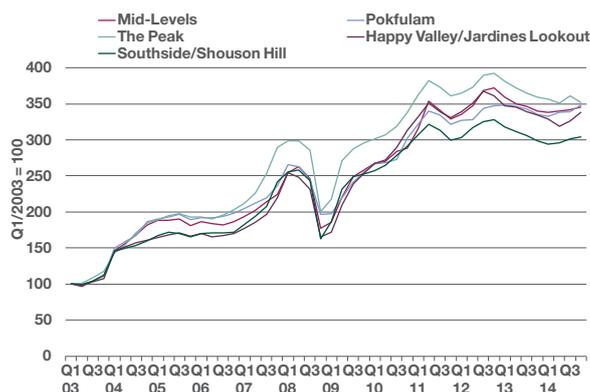
Source: EPRC, Savills Research & Consultancy

TABLE 1 **Luxury apartment price movement by district, Q4/2014**

	Q4/2014 (%)	2014 (%)	2013 (%)
Mid-Levels	+0.9	+1.7	-8.7
Pokfulam	+2.7	+3.9	-3.4
The Peak	-2.6	-2.2	-8.4
Happy Valley/Jardine's Lookout	+3.5	+1.0	-7.4
Southside	+0.9	+2.0	-9.0
Overall	+1.3	+1.7	-7.3

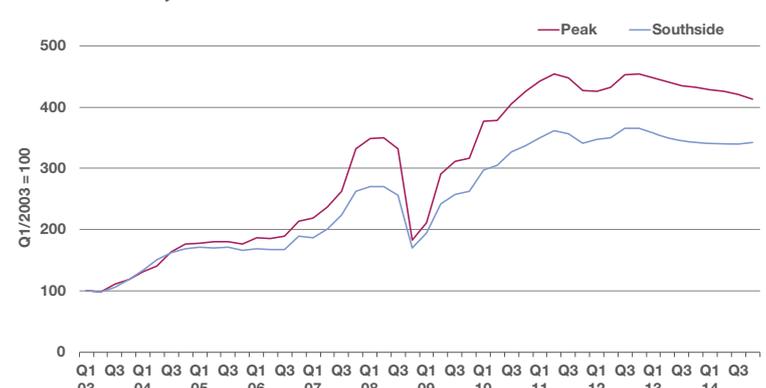
Source: Savills Research & Consultancy

GRAPH 2 **Luxury apartment prices by district, Q1/2003–Q4/2014**



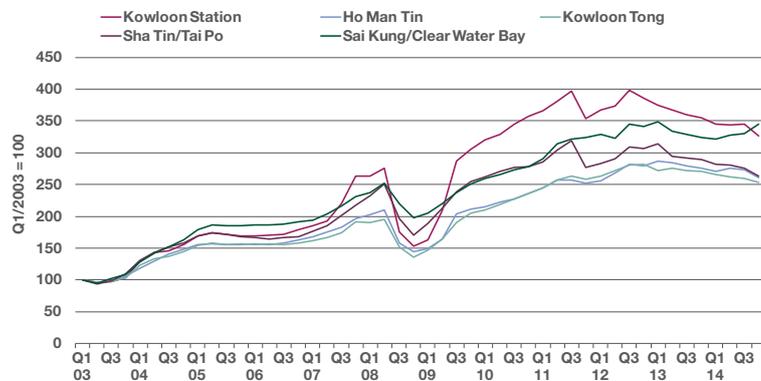
Source: Savills Research & Consultancy

GRAPH 3 **Townhouse price indices on The Peak and Southside, Q1/2003–Q4/2014**



Source: Savills Research & Consultancy

GRAPH 4
Kowloon and New Territories luxury residential price indices, Q1/2003–Q4/2014



Source: Savills Research & Consultancy

accommodation value (A.V.) of HK\$82,258 per sq ft. The site can be redeveloped into 10 houses.

Kowloon and New Territories luxury residential market

The luxury residential market in Kowloon is weakening alongside little demand in the area, and is facing strong competition from the primary market. Demand in the Kowloon residential market is fairly strong, however, demand has been drawn to the primary market with developers offering discounts as a rebate to buyer stamp duty and double stamp duty. Primary value in 2014 is now at

a record high, and primary volume in 2014 is the highest in five years.

Kowloon Station recorded a 5.4% decline in Q4/2014, on the back of weakening demand from PRC buyers. Prices in Kowloon declined by 6.4% in 2014, while prices in the New Territories dropped by around 3.1%. A duplex unit of Arch Block 1, Sky tower (6,131 sq ft saleable) has been sold for HK\$528 million by a seller from mainland China.

Mass-residential market

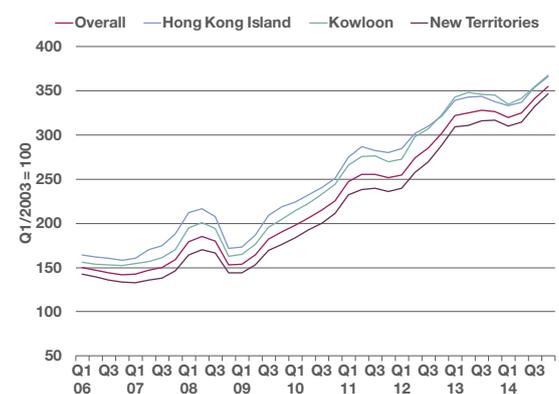
This market is fundamentally strong, with a shortage of supply (only 13,142 residential units up to November

2014). There is strong demand for smaller-sized units. Housing prices in the mass-market rose by 8.7%. The market is being driven by the primary market segment as developers are offering discounts to rebate the BSD and SSD. Primary values in 2014 were at a record high and primary volumes in 2014 were the highest in five years.

Market outlook

Looking ahead, prices in the luxury market will enjoy stable price growth in the region of 0% to +5%, however, volumes are expected remain subdued. The rising stock of townhouses will push prices down in 2015.

GRAPH 5
Mass-residential price indices, Q1/2006–Q4/2014



Source: Savills Research & Consultancy

Please contact us for further information

Residential Services



Keith Chang
Managing Director
Savills Realty
+852 2842 4434
kchang@savillsrealty.com.hk

Development & Investment



Patrick Chau
Deputy Senior Director
+852 2840 4728
pchau@savills.com.hk

Residential Leasing



Edina Wong
Senior Director
+852 2842 4283
ewong@savills.com.hk

Savills Research



Simon Smith
Senior Director
Asia Pacific
+852 2842 4573
ssmith@savills.com.hk



Ken Ma
Manager
+852 2842 4281
kma@savills.com.hk

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